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By What Measure?
A Comparison of French and U.S. Labor Market Performance
With New Indicators of Employment Adequacy

David R. Howell, Anna Okatenko[1]

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This paper compares U.S. and French performance with three indicators of employment performance designed to account of job quality, measured by the incidence of low wages and involuntary part-time employment. From each country's main household survey for 1993-2005 by age, gender and education group, we calculate: 1) the low-wage share of employment; 2) the underemployed (low-wage, unemployed and involuntary part-time) share of the labor force; and 3) the adequately employed (not low paid and not involuntary part-time) share of the working age population. France shows vastly superior performance on all three indicators, especially for less-educated workers, and the French advantage has grown substantially since the late 1990s. These results indicate that accounting for adequate pay and hours of work has large effects on the assessment of cross-country labor market performance. We recommend that indicators such as these, and not just the unemployment rate, should have a central place in discussions of national labor market reform.

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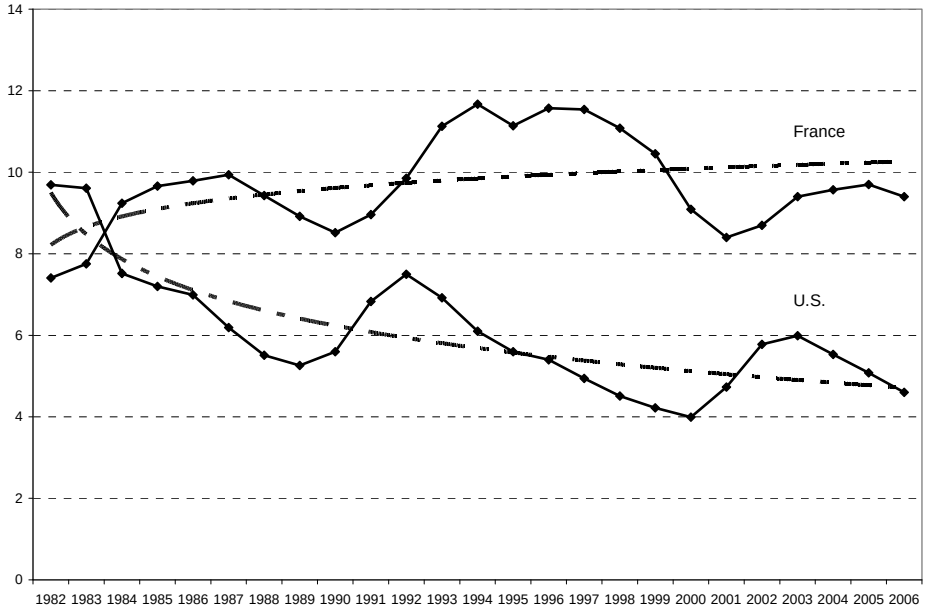
With much of the developed world plagued by high unemployment, a great deal of attention has been paid to the role played by poorly functioning labor markets. The overwhelmingly dominant view is that excessive labor market regulation and overly generous social benefits are at the root of the rigidities that, in turn, destroy jobs and produce high levels of unemployment (OECD, 1999; IMF, 2003; Nickell et al., 2005). The yardstick for labor market performance has been nearly exclusively the standard unemployment rate: the number of unemployed as a share of the labor force (the employed plus the unemployed). By the mid-1990s, the U.S. unemployment rate had dropped below 5 percent and the less-regulated and low-benefit "American Model" became the model for high unemployment Europe, with France is typically assigned to the opposite end of the performance spectrum. The consensus view is that the French labor market suffers from not just too much regulation and too much generosity, but from a poorly designed mix of institutions.

In this view, U.S. and French unemployment rates measure the gap in labor market performance between a coherent employment-friendly system and an incoherent employment-unfriendly model. Figure 1 shows the standardized unemployment rates for the U.S. and France. France's rate is not only far higher, but the U.S. advantage has grown both over the long-run and since 2002 (the gap narrowed between 1998 and 2002). Employment rates are also often cited in support of pronouncements on the dismal state of French labor market performance: the employment-to-population rate was just 62 percent for France in 2005, five percentage points below the German employment rate and a full 10 points below the U.S. rate.[2]

Conventional measures of labor market institutions designed to protect workers against harmful effects of market pressures on wage and employment appear to strongly support this conventional account. For example, while the U.S. minimum wage fell from $6.08 in 2000 to $5.15 in 2006 (in 2006 dollars), the French minimum rose from $8.80 to $10.14.[3] Other frequently invoked sources of poor French employment performance are presented in Table 1. On each of these measures of benefits, bargaining structure, and employment regulation, France and the U.S. lie at the opposite ends of the spectrum for developed countries.

[2] OECD Employment Outlook 2007, Statistical Annex, Table B.
[3] Gross statutory minimum wages, OECD 2007: Table S.1, p 24, Taxing Wages: 2005/2006.

Figure 1: Standardized Unemployment Rates for France and the U.S., 1982-2006
(with log trend lines)



Source: unpublished file from the OECD and the OECD's Employment Outlook 2007.

Table 1: Measures of Social Protection and Collective Bargaining
for the U.S. and France , 2000-2003

	Cash Income Suppport to Working Age Pop. as Share of GDP[1] (%)	UB Repl. Rates for the 1st Year as Share of APW[2] (%)	UB Repl. Rates for the 4th and 5th years as Share of APW[2] (%)	Trade Union Density (%)[3]	Collective Bargaining Coverage[3] (%)	Collective Bargaining Structure Index[4]	Summary Indicator of Strictness of Employment Protection Laws[5]
	2001	2001	2001	2000	2000	1995-2000	2003
U.S.	1.6	29	6	13	14	2	.2
France	6.0	61	27	10	90+	4	3.0

1. OECD, 2005. *Society at a Glance: OECD Social Indicators*, (Paris: OECD), Table EQ5 (p.61).
2. OECD, 2004. *Benefits and Wages: OECD Indicators* (Paris : OECD), Table 3.4. The figures show Gross Replacement rates for Three Family Types Over a Five-Year Period, (average of 2/3 and 100% average production worker (APW) earnings levels).
3. OECD, 2004. Employment Outlook, Chapter 3 : Table 3.3.
4. OECD, 2004. Employment Outlook, Chapter 3: Table 3.5. This is a sum of the OECD's Centralization and Coordination indices. Each ranges from 1-5.
5. OECD, 2004. *Employment Outlook*, Chapter 2: Table 2.A2.4 (overall EPL, version 1).

These huge differences in unemployment rates and labor market institutions have lent support to calls for France to adopt comprehensive reforms: substantial reductions in unemployment benefit generosity, decentralization of wage bargaining and a reduction of the legal minimum wage, and the adoption of much less strict employment protection regulations. According to the OECD's Economic Survey of France (2005): "The negative influence of the tax and benefit system on labour market incentives and the interaction of these effects with the minimum wage and other labour market institutions are at the origin of a significant part of structural unemployment and low participation in France" (OECD, 2005, p. 30). The underlying explanation for the failure of the French labor market is political – too much centralization of power in Paris and too little coordination between the "social partners" (employers, employees and the state) (Levy, 2000).

But there are several reasons to resist the conventional single-minded focus on the conventional unemployment rate when judging labor market performance across countries.

First, the unemployment rate, measured as the unemployed share of the labor force (the employed and the unemployed), is just one of several measures of the adequacy of the number of job opportunities. The employment rate (those working for pay for at least an hour a week as a share of the working age population) is often used to complement the unemployment rate, but for reasons given below, can provide a very different perspective on performance, especially for prime-age workers. For this population, employment rates were actually slightly higher in France (79.6%) than the U.S. (79.3%) in 2005. Though rarely used, another measure of the quantity of job opportunities is the unemployment-to-population ratio. This may be particularly appropriate for young workers, since lower employment rates (based on social norms about who should work, low tuition charges, and the attractiveness of living with parents) will, by construction, produce higher unemployment rates.[4] Thus, while the French youth unemployment rate was far higher in 2005 (22.8% versus 11.3%), the difference between unemployment-to-population rates was not very large (7.7% for France and 6.9% for the U.S.), and just three years earlier (2002) this unemployment rate was actually substantially *lower* for France (6.1% versus a U.S. rate of 7.7%) (OECD, 2006, calculated from Appendix Table B).

[4] Since the unemployment rate is U/(U+E), given the number of unemployed, lower numbers of employed workers will reduce the size of the denominator and increase the rate.

But most importantly, the key limitation of these quantity-of-employment indicators is that they fail to provide any indication of job quality. It seems uncontroversial that, for a given unemployment rate, a labor market should be judged superior if it generates a lower incidence of jobs paying very low wages or generates a mix of jobs that better matches workers' desired hours of work. Since a country's economic policies, regulations and labor market institutions are designed to affect both the quantity and quality of jobs, assessments of cross-country labor market performance should be made with indicators that capture both dimensions of employment adequacy. The French "model" was designed over the last half-century not only to minimize the unemployment rate, but to limit the incidence of low pay and job insecurity, especially for prime-age workers. It can only enhance our understanding of cross-country labor market performance to have more comprehensive measures that reflect the adequacy of both the quantity and quality of jobs.

This paper compares French and U.S. employment performance with three newly developed indicators of employment adequacy (Howell, 2005b; Howell and Diallo, 2007). These were designed to reflect three dimensions of employment performance: the adequacy of the *number of jobs* (like the conventional unemployment and employment rates), the adequacy of *work hours* (measured by the rate involuntary part-time work), and the adequacy of *wages* (measured by the incidence of very low pay). Like standard government-produced indicators, the employment adequacy indicators are measured with reference to three populations: employment, the labor force, and the working age population. The three indicators are the *Low Wage Share* of employment (LWS); the *Under-Employment Rate* (UER, which counts the unemployed, those working involuntarily part-time, and those paid very low wages as a share of the labor force); and the *Adequate Employment Rate* (AER, which measures the employed who are not paid low wages and who are not working involuntarily part-time as a share of the working age population).

Section 1 provides an overview of the conventional "quantity-of-employment" indicators. Section 2 surveys recent efforts to account for labor underutilization and job quality. Section 3 outlines the construction of our SCEPA employment adequacy indicators, These indicators are then used in Section 4 to compare French and U.S. employment performance for 1993-2005. Section 5 concludes the paper with a call for assessments of national labor market systems to give more weight to indicators of job quality, and a recommendation to national and

international producers of "official" statistics to regularly produce employment adequacy indicators of the sort we use in this paper.

1. Conventional Quantity-of-Employment Indicators

Statistical agencies in all developed countries produce labor market indicators that break the working age population into three distinct, non-overlapping categories: the unemployed, the employed, and those "out-of-the-labor-force." The unemployed are "persons over a certain specified age who are without work, available for work, and actively seeking work" (Sorrentino, 2000, p. 4), and the conventionally defined rate of unemployment is the unemployed over the labor force, defined as the employed and the unemployed.[5] The "employed" are those who work for pay for at least an hour in the reference week, and the employment rate is measured as the employed over the working age population. Working age individuals neither unemployed nor employed are allocated to the "out-of-the-labor-force" category.[6]

Because it offers some indication of both the efficiency of the economy and how it is performing for workers and families, the unemployment rate is the indicator used to measure differences in labor market performance across countries.[7] But by itself, the unemployment rate, no matter how well and consistently measured over time and across countries, is a poor measure of employment performance. A well-functioning labor market ought to not only make full and effective use of available labor resources ("full employment"), but should provide socially acceptable levels of *worker well-being for all employed workers.* For instance, a highly developed market economy such as the U.S. could be operating at nearly "full employment" (say, a 4% unemployment rate) despite the presence of large numbers of adult active job seekers unable to find anything but part-time work at poverty-level wages (as could be argued was the case in the booming late 1990s U.S. labor market). This, in turn, could lead to discouragement

[5] Over the last several decades the definitions of these categories across countries have converged. Because of differences across countries in the treatment of "availability" for work, what qualifies as "active search," and how various groups in the population are treated (students, unpaid family members, members of the armed forces, and so on), a great deal of effort has been devoted to standardizing (or "harmonizing") the unemployment rate, principally by the BLS, the OECD, the ILO and Eurostat (see Sorrentino, 2000, appendix).

[6] Jones and Riddell (1999) argue that this tripartite categorization is inadequate, because of the "heterogeneity of the nonemployed…any attempt to dichotomize the nonemployed into "unemployment" and "out-of-the-labor force" is unlikely to full capture the complexity of labor force activity."

[7] For perspectives on this literature, see Howell, 2005a; Blanchard, 2006; and Howell et al., 2007).

and exit from the labor market. These workers would no longer be counted as unemployed, so it is possible that insufficient numbers of decent work opportunities could actually *reduce* the unemployment rate. For example Schmitt and Wadsworth (2005) have argued that this helps explain the decline in the U.K. unemployment rate in the 1990s.

The employment rate, though much less frequently used, has two potentially great advantages over the unemployment rate. The first is simplicity - it does not require determining who is really available and seriously searching for work, which adds considerable "statistical noise" in cross-country comparisons of unemployment (Sorrentino, 2000). The second advantage is that the employment rate automatically reflects discouraged workers (the more discouraged workers the lower the employment rate). On the other hand, there are reasons to be cautious about interpreting the employment rate as a measure of labor market performance. First, since any kind of paid employment puts a person in the employment column, even if it is for just an hour a week for less than the legislated minimum wage, the same employment rate can mean very different qualities of employment across countries – some unquestionably better than others.

2. Measuring Underutilization and Job Quality

Recognizing the limitations of the official unemployment and employment rates, statistical agencies and advocacy groups in many countries have developed a variety of alternative employment-related indicators. By far the most common are broader measures of underutilization, which take into account those who can only find part-time work ("involuntary part-time" workers) and those who have dropped out of the labor force because of poor job opportunities ("discouraged" workers).

The U.S. Bureau of Labor Statistics, for example, currently publishes six "alternative measures of unemployment and other forms of labor resource underutilization," ranging from the U-1, which shows "persons unemployed 15 weeks or longer" as a share of the labor force, to the U-6, the broadest published measure of underutilization, defined as "total unemployed persons, plus all 'marginally attached' workers, plus all persons employed part time for economic reasons" as a share of the labor force plus the marginally attached (Bregger and

Haugen, 1995, p. 23).[8] While these indicators of various dimensions of underutilization offer a broader picture labor market performance than the conventional unemployment rate, they still measure only the adequacy of the available *quantity* of employment.

The Sixteenth International Conference of Labour Statisticians (1998) adopted a resolution "concerning the measurement of underemployment and inadequate employment situations." This document spells out different dimensions of "time-related underemployment" (willingness and availability to work additional hours) and inadequate employment ("skill-related," "income-related" and "excessive hours" related). Reflecting a growing concern with the quality of employment, the ILO launched the "Decent Work Agenda" in 1999 and published a special issue of the *International Labour Review* (ILR) in 2003 on the measurement of decent work. According to the Introduction (ILR, 2003, p. 109), the goal of the issue was to "demonstrate the multi-dimensional nature of decent work…(and) to appreciate the complex nature of the concept and therefore, also, the great difficulties in evolving viable and reliable statistical indicators for its measurement." The five articles in this issue describe numerous indicators that reflect many important quantity- and quality-of-employment dimensions, but they propose no single composite indicator (or small set of indicators) that would capture key quantity and quality dimensions of work, nor are they standardized in a way that would make them useful for cross-country comparisons.

For example, Anker et al. (2003) identify thirty "existing, proposed, and readily usable indicators" that measure "employment opportunities; unacceptable work; adequate earnings and productive work; decent hours; stability and security of work; balancing work and family life; fair treatment in work; safe work environment; social protection; social dialogue and workplace relations; and the economic and social context of decent work" (Introduction, p. 110). However, as the Introduction points out, their comprehensive approach poses "an obstacle to an immediate application…" (ibid., p. 110).

Bescond et al. (2003) take a more pragmatic approach in order to produce a composite index by selecting seven easily measured indicators: "hourly pay, hours of work, unemployment, school enrolment, the youth share of unemployment, the male-female gap in labour force

[8] Marginally attached workers are "all persons who want and are available for a job and have recently searched for work" (Bregger and Haugen, 1995, p. 24). Discouraged workers are the marginally attached who give a job-related reason for not looking for work.

participation, and old age without pension." But their approach raises some questions. What is the meaning of an average of indicators that have different denominators? Are cross-country comparisons meaningful when the composite index for the countries reflects different combinations of indicators? For example, Denmark's decent work indicator score (6.2) is an average of three of the seven components (the nonenrollment rate, unemployment, and the male-female LFPR gap) while the French decent work score (8.9) is generated by averaging four of the seven (nonenrollment rate, excessive hours, unemployment and the male-female LFPR gap). And finally, are the results intuitively plausible? The Irish will surely be surprised to discover that their decent work score (18.1) falls far below that of Nepal (17.6), Thailand (14.8) and Tanzania (13.7) (Bescond et al., 2003, Table 9).

The index developed by Ghai (2003) seems straightforward in construction, relying as it does on averaging cross-country rankings on various indicators for 22 OECD countries. The problem with this approach is the apparent arbitrariness of what is being averaged and the weights attached to each. Equal weights are applied to four groups of indicators: gender disparities, employment, social dialogue, and social protection.

Reflecting the results of their survey of the employment quality literature, Davoine and Erhel (2006, p. 9) put wages front and center. Their four "fundamental dimensions of employment quality" are "wages, skills and training, working conditions, and gender equality." They use indicators of these four dimensions with a principal component analysis to compare job quality across European countries. While they situate countries according to scores in this analysis with various mixes of indicators, they offer no single composite index of employment quality.

Perhaps the alternative indicators most closely related to ours are those produced in France by the Collectif 'Autres Chiffres du Chomage' (ACDC, 2007). In addition to the conventional measure of unemployment, they identify four categories of inadequate employment, data for which can be taken directly from the French household survey. Their approach makes it possible to generate an inadequacy-to-labor force rate (constructed like the standard unemployment rate) and an inadequacy-to-working population rate (constructed like the standard employment rate). The four categories of inadequately employed workers are: those with low wage work; those in short-term or temporary jobs; the underemployed, in the sense of over-qualification for the jobs they hold; and dangerous jobs. They find that the sum of the

conventionally measured unemployed and these four measures of employment inadequacy produce a total inadequacy rate for France that increased from 35 percent in 1990 to about 42 percent in 2002 (p. 10); for 2003-5 they calculate a rate of about 50 percent (a change in the household survey makes the post-2002 figures not exactly comparable) (p. 8). Although their standards for "adequate" employment are extremely high (even by French standards), their approach mirrors ours. As the next section describes, in order to facilitate cross-country comparisons and make them as simple and as noncontroversial as possible, we limit our measure of employment quality to low pay and inadequate hours of work.

3. The SCEPA Employment Adequacy Indicators

The SCEPA indicators project (Howell, 2005b; Howell and Diallo, 2007) has aimed to develop simple aggregate measures of labor market performance that are similar in construction to conventional quantity-of-employment indicators (unemployment, labor force participation, and employment rates) but incorporate relatively easily measured and uncontroversial measures of employment quality.

The most obvious measure of employment quality is the level of wages. It is widely accepted that a very low wage identifies a "low quality" job. Several alternative "low wage" thresholds can be argued to be reasonable. We use a relative measure—two-thirds of the median hourly wage for all full-time workers—rather than a quasi-absolute one, such as the wage that would support a particular number of household members at a particular budget level. There are three main reasons for this choice. First, the household budget threshold is ultimately relative as well, since its determination depends on decisions about what is an "adequate" budget for a household of a particular size (say, a basic food budget multiplied by three), which in turn reflects prevailing social norms and a particular economic and social context. Second, our concern is to produce indicators for assessing labor market performance, not the adequacy of household income. For this purpose, it is the social acceptability of an individual's earnings that matters. And third, there are practical considerations: the adequacy of household income requires controversial adjustments for household size and composition, and a relative measure also greatly facilitates cross-country comparisons. Our low-wage threshold (two thirds of the median full-time wage) is

similar to that used by international research organizations like the OECD (it is also common to identify the "poverty wage" as one-half the median wage).

It also seems fairly uncontroversial to characterize "time-related underemployment" as an indicator of poor labor market performance. The most common measure of this is "involuntary part-time employment" – workers who would prefer to work more hours but cannot due to inadequate employment opportunities. So we assume that the greater the involuntary part-time share of jobs, the worse the labor market performance.

We do not explicitly account for discouraged workers for two reasons. First, it appears to be poorly measured in the U.S. and, in any case, the official numbers are very small (see Howell, 2005b). In addition, there are concerns about comparability across countries.[9] It is also the case that one of our three indicators captures discouraged workers (the Adequate Employment Rate – see below). While efforts to include other dimensions of inadequate employment, like employer provided health benefits (see Schmitt, 2008) or job precariousness and physical working conditions, are important and may be adequately measured in a single country, cross-country comparisons of these kinds of job characteristics are both extremely difficult and controversial (for a new ambitious effort, see Leschke et al, 2008).

The official unemployment and employment rates are designed by distinguishing between two parts of a given population: the unemployment rate starts with the labor force and distinguishes the employed from those without a job but who are actively looking for work; the employment rate sets the employed against the entire working age population. Our goal has been to incorporate two simple measures of job quality using the same approach. We distinguish "low" wages from the full wage distribution and "involuntary" part-time workers from all other employed workers.

The SCEPA employment adequacy indicators are defined with reference to three different populations: total wage and salary employment[10], the labor force, and the working age population. The *low wage share of employment* (LWS) measures the share of wage and salary employees paid low wages. The *underemployment rate* (UER) measures the share of the labor force that is unemployed, working involuntarily part-time, or paid low wages; and

[9] Even if the definition is the same, who will be tabulated as "discouraged" will reflect the kind of safety net that is available.

[10] We exclude the self-employed (see section 4.1).

the *adequate employment rate* (AER) measures the share of the working age population employed in wage and salary jobs and not working involuntarily part-time or paid low wages.

The interpretation of the LWS and UER as measures of employment performance is straightforward, and just like the unemployment rate: all else equal, performance is superior if the low wage share of employment and the underemployed share of the labor force is lower. But just as a higher employment rate is not necessarily a measure of better performance (Section 1), so a higher *adequately employed share* of the population does not necessarily indicate "better" performance. To take an extreme example, even if all employed workers are "adequately" employed, social norms and the share of tuition costs borne by students in a country (like France) may affect employment rates for enrolled students, and thereby affect the overall adequate employment rate. Just 1.9 percent of French 15-19 year olds enrolled in school were employed in 2005, compared to 22 percent of similar American students and 43 percent of Dutch students (OECD, 2007c, Table C4.2a). Since the AER is measured against the population, the higher U.S. employment rates among students will automatically generate higher *adequate employment* rates as long as any of the jobs that make up the difference (in this case, the 20.1 percentage points: 22 minus 1.9) qualify as "adequate." The same holds for older workers in countries with retirement set at relatively young ages, which will reduce employment rates, but reflects social choices and not labor market performance. For these reasons, the AER may be most useful as a measure of performance for prime-age workers.

4. French and U.S. Employment Performance with the SCEPA Indicators

4.1 Data

The data used to generate the labor market indicators for the U.S. and France were generated from each country's basic household survey – the Current Population Survey for the U.S. and the Enquête Emploi for France. The U.S. indicators have been computed back to 1979 (see Howell and Diallo, 2007). Due to limitations in the French data, we were able to cover just 1993-2005 for France.

The data used to compute the SCEPA indicators are from CPS ORG Uniform Data File produced by the Center for Economic and Policy Research (CEPR). The underlying data

for the CEPR ORG extracts is the CPS "Annual Earnings File" from the National Bureau of Economic Research (NBER) from 1979 to 2002. From 2003 on, the underlying data for the CEPR ORG extracts comes fro the monthly CPS Basic files, which are available in the public domain (www.bls.census.gov). CEPR makes available the program used to produce the CEPR org extracts on the CEPR webpage (www.cepr.net). Our key measure is low earnings and most low-wage workers are paid hourly. A major advantage of the CPS ORG data is that for nonsupervisory workers the hourly wage is generated directly by the questionnaire, not calculated from weekly or annual earnings from estimated hours and weeks worked.

The French data come from the French Labour Force survey (Enquête Emploi) implemented by the INSEE (Institut National de la Statistique et des Etudes Economiques) and disseminated by the Centre Maurice Halbwachs. The survey was annual before 2003 and was held in March, except the years of the population census when it was held in January simultaneously with the census (e.g. 1999). Unlike our wage figure for the U.S., the French hourly wage is calculated by dividing monthly wages by monthly hours.

The one fundamental difference between our measures and the official unemployment and employment rate measures is that we include only wage and salary workers. The self-employed are excluded for both countries since our main quality measure, the hourly wage, is not available for them.[11]

4.2 Low Wage Thresholds

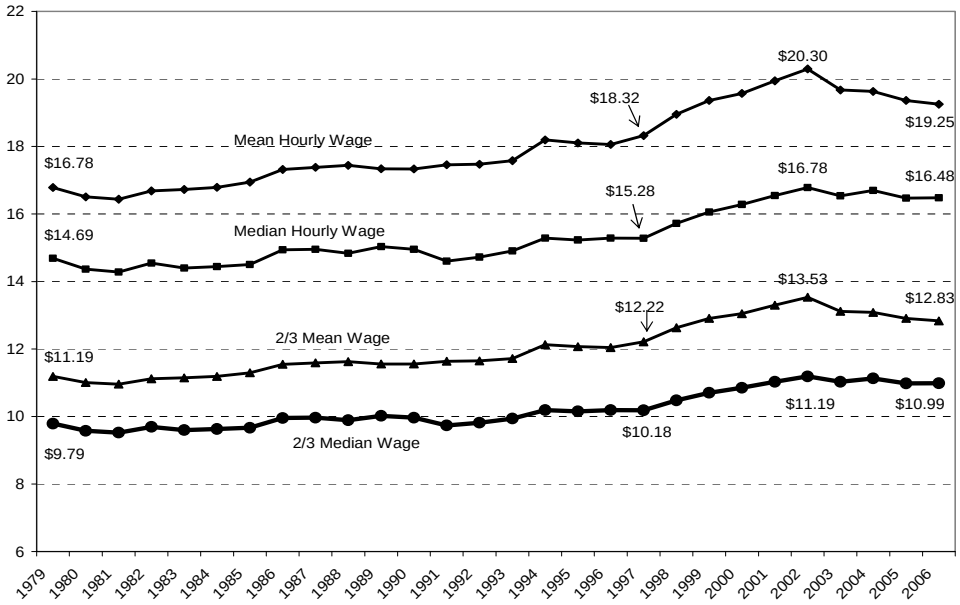
Figure 2 shows median and mean hourly wages for full-time wage and salary workers in the U.S. from 1979 to 2006 (in 2006 dollars). The median rose slowly from $14.09 in 1979 to $15.28 in 1997, increased steadily to $16.78 over the next five years (the Clinton boom), and has fallen slightly since (to $16.48 in 2006).

The *mean* hourly wage appears as the trend at the top of Figure 2. It began at a little more than $2 higher than the median in 1979 (14 percent higher than the median), rose to $18.32 in 1987 (20 percent higher) and to $20.30 in 2002 (21 percent higher), before falling back to $19.25 in 2006 (17 percent higher). The growing gap between the mean and

[11] The self-employed shares of total employment for France and the U.S. and their trends over time are broadly similar. For France, the self-employed share fell steadily from 12.8% in 1990 to 8.9% in 2006 (INSEE). For the U.S., this rate fell from 8.5% in 1990 to 7.5% in 2003 (Hipple, 2004, Table 1).

the median through 2002 reflects the rising share of income going to the top of the earnings distribution. The trend shown in bold at the bottom of Figure 2 is our low wage threshold—two-thirds of the median full-time hourly wage. This increased very gradually from $9.79 in 1979 to $10.18 in 1997, rose more rapidly to $11.19 in 2002, and then dropped back to $10.99 in 2006.

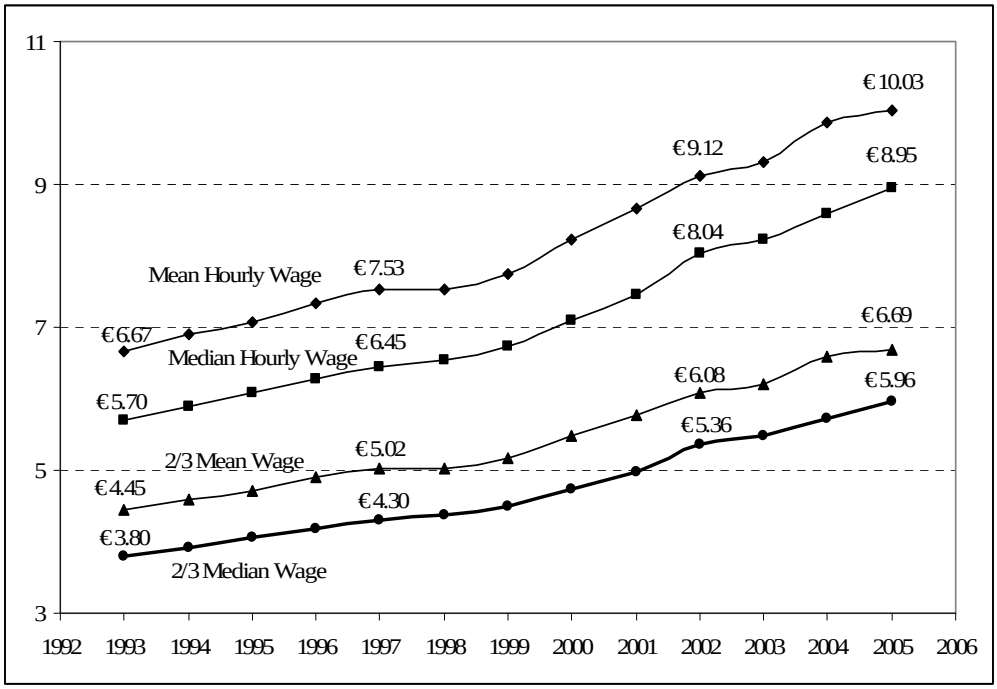
Figure 2: Median and Mean Real Hourly Wages for Full-time U.S. Workers, 1979-2006 (16+, 2006$)



source: authors' calculations from the CPS (see Howell and Diallo, 2007)

Comparable wage trends for France are shown in Figure 3 (in 2006 Euros). The most striking difference with the U.S. trends is the rapid rate of French wage growth. For example, the median real hourly wage rose 38.8 percent from 1997 to 2005, while the U.S. real median rose by less than 8 percent from 1997 to 2006. The differential is perhaps even more striking since 2002: a gain of 11.3 percent for the French median and a decline of 1.8 percent for the U.S. median.

Figure 3: Median and Mean Real Hourly Wages for Full-time French Workers, 1993-2005 (16-64, 2006€)



source: authors' calculations

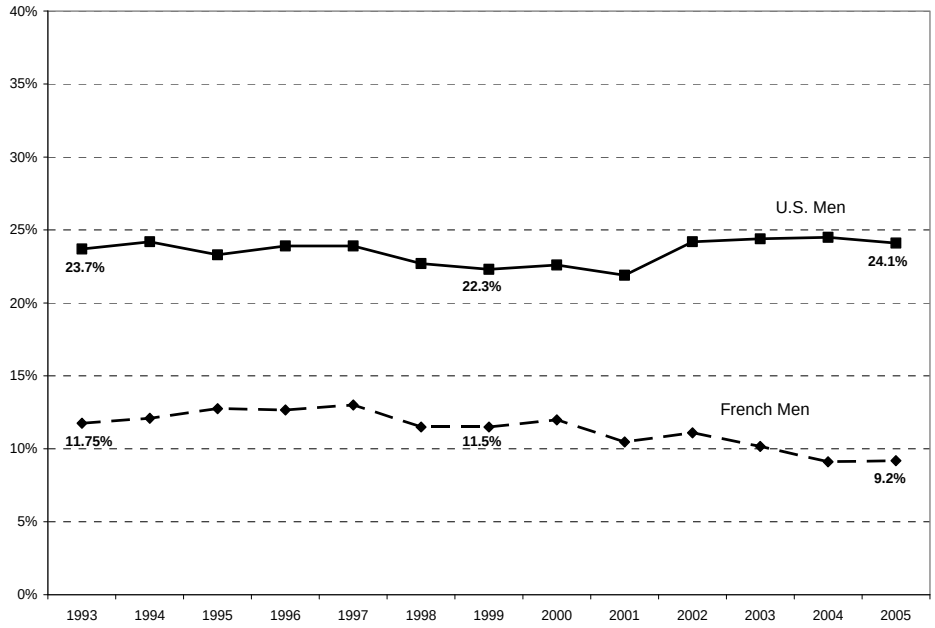
4.3 Aggregate Results

Figures 4-6 show the low-wage share of (wage and salary) employment (LWS), the underemployed share of the labor force (UER), and the adequately employed share of the working age population (AER) for 1993-2005 for the U.S. and France.

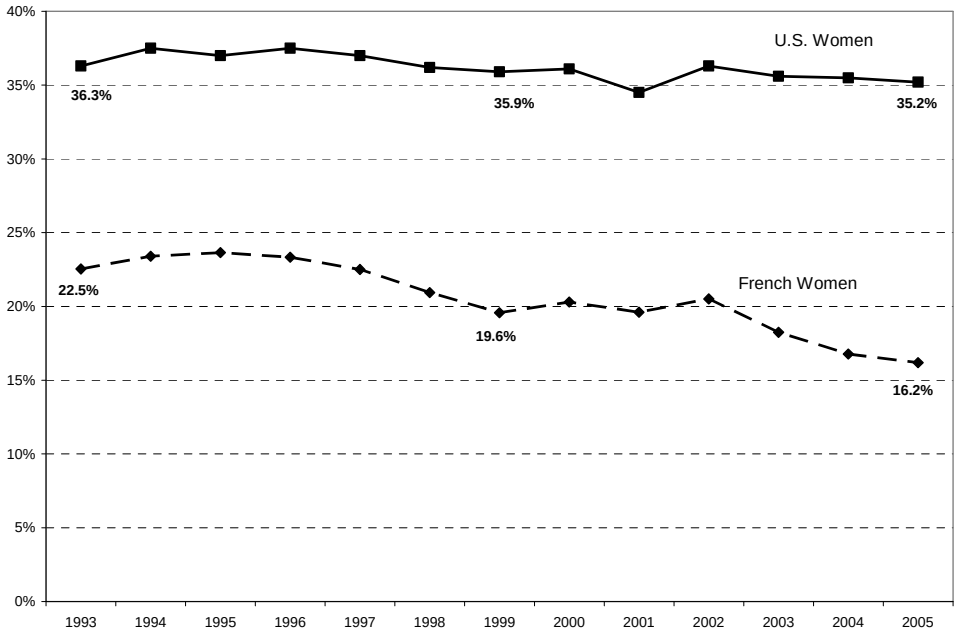
Figures 4a and 4b show that, for both men and women, the U.S. has had a substantially higher incidence of low wage employment than France, a gap that has widened considerably since 2001. The low wage share of employment for U.S. men (16-64) was stable at 23-24% between 1993 and 2005, at a level twice as high as the French male LWS in 1993 (11.75%) and 2.6 times as high in 2005 (9.2%). Similarly, the LWS for U.S. women was stable at 35-36 percent, while the French female LWS fell from 22.5 percent in 1993 to around 19.5 percent in 1999-2002, and then fell again sharply to 16.2 percent in 2005.

Figure 4: The Low Wage Share of Employment for France and the U.S., 1993-2005 (age 16-64)

A. Men



B. Women



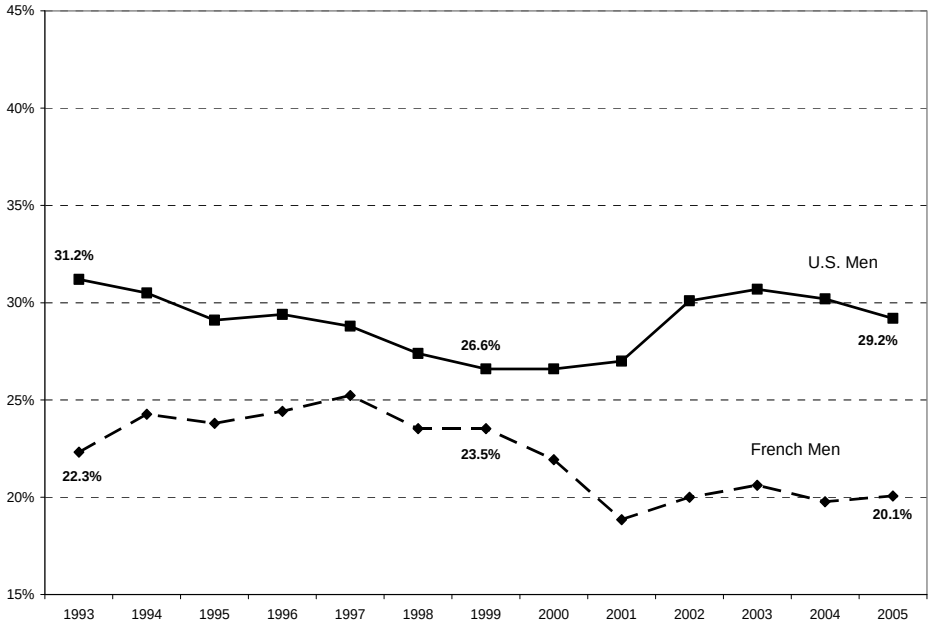
Figures 5a and 5b report male and female underemployment rates (UERs) since 1993 for each country (unemployed, low paid, and involuntary part-time workers as a share of the labor force, 16-64). With a lower rate of unemployment but a much higher incidence of low-wage employment, our UER indicator is again much larger (worse) for the U.S. Figure 5a shows that the French male UER fluctuated between 22 and 25 percent from 1993 to 2000 and has been fairly stable at around 20 percent since. In contrast, the U.S. male UER was over 31 percent in 1993, fell to 26.6 percent in 1999, and has fluctuated around 30 percent since. This translates into a U.S. UER disadvantage that rose from 13 percent in 1999 (26.6% compared to 23.5%) to 45.3 percent in 2005 (29.2% compared to 20.1%).

The underemployment story is broadly similar for French and U.S. women. Figure 5b reports that while U.S. female UERs have been stable around 40 percent since 1997, the French female UER fell from just under 39 percent in 1997 to 32.1 percent in 2005. This translates into a U.S. female underemployment rate gap that increased from just 5 percent (3 percentage points) in 1997 to almost 24 percent (7.6 points) in 2005.

As noted above, the interpretation of the Adequate Employment Rate (AER) as a measure of labor market performance may be somewhat different for young and prime-age workers, since it is not necessarily the case that a higher employment rate for students is necessarily better, even if the jobs qualify as “adequate.” It is also the case that social choices lower substantially the employment rate for older workers (55-64) – for many French workers the “normal” (and legal) retirement age is 60. For these reasons, Figure 6 presents the AER results for U.S. and French men and women in two panels, the working age population (16-64) and the prime-age population (25-54).

Figure 5: The Underemployment Rate for France and the U.S., 1993-2005 (unemployed, low paid and involuntary part-time workers as a share of the labor force, age 16-64)

A. Men



B. Women

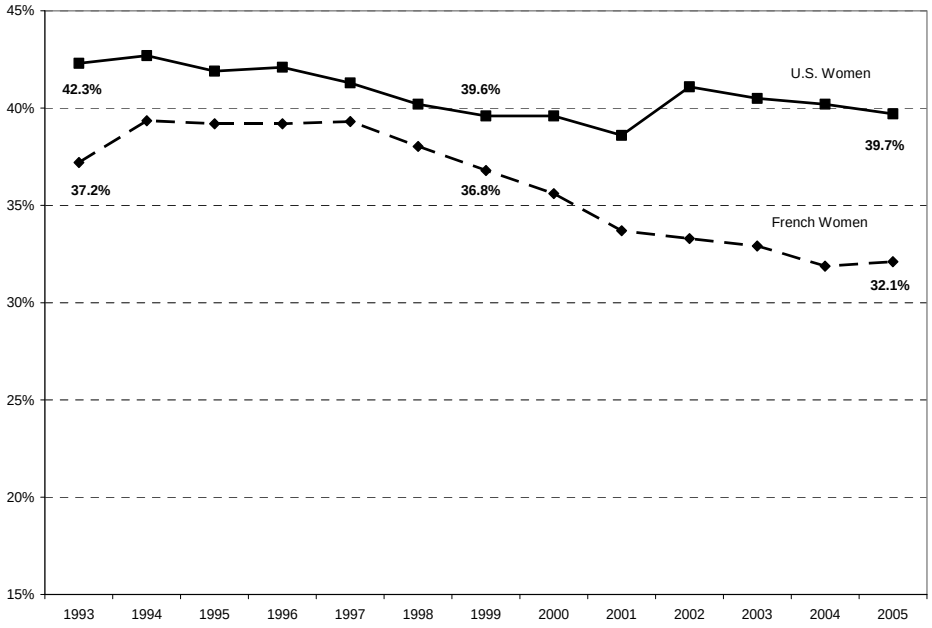
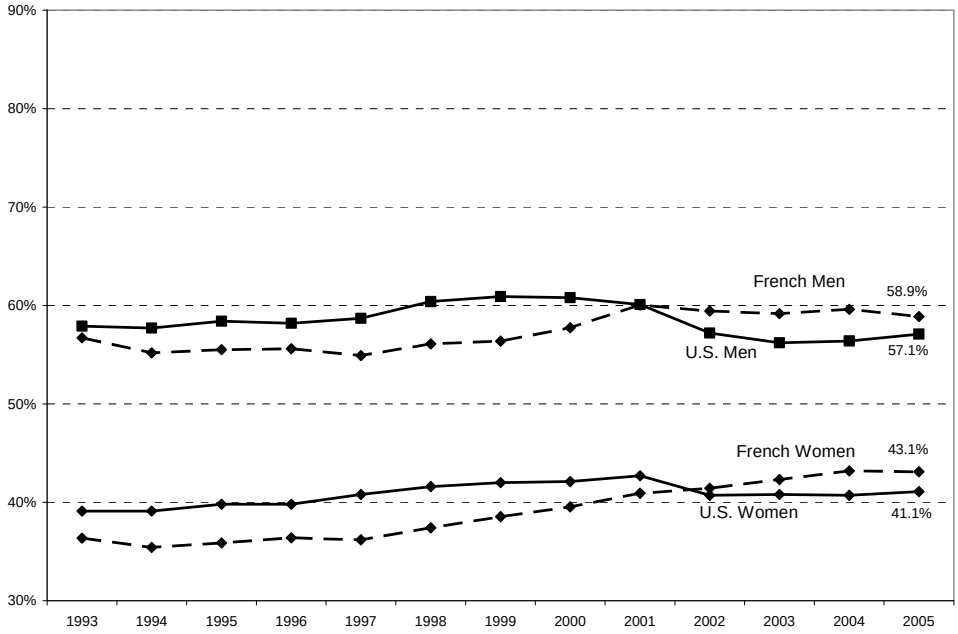


Figure 6a shows that for both men and women, French and U.S. AERs have bee quite similar since 1993. Evidently, higher employment rates for U.S. youth and older workers have largely offset the much larger U.S. incidence of low wage jobs. There is a much greater gap by gender than by country: the French and U.S. male AERs range from 55 to 60 percent, while the female AERs for each country have fluctuated between 35 and 43 percent. It is also notable that the relative performance of the two countries on this indicator switched between 2001-2002 for both men and women. From 1993 to 2001, U.S. men and women show a higher ("better") rate of adequate employment, but from 2002 to 2005 the AER for French men and women has been superior. The figures for both U.S. men and women show a declining rate of adequate employment between 2001 and 2005 (from 60.1 to 57.1% and from 42.7 to 41.1%), whereas both French men and women show long-term improvement (between 1997 and 2005, from 54.9 to 58.9% for men and from 36.2 to 43.1% for women).

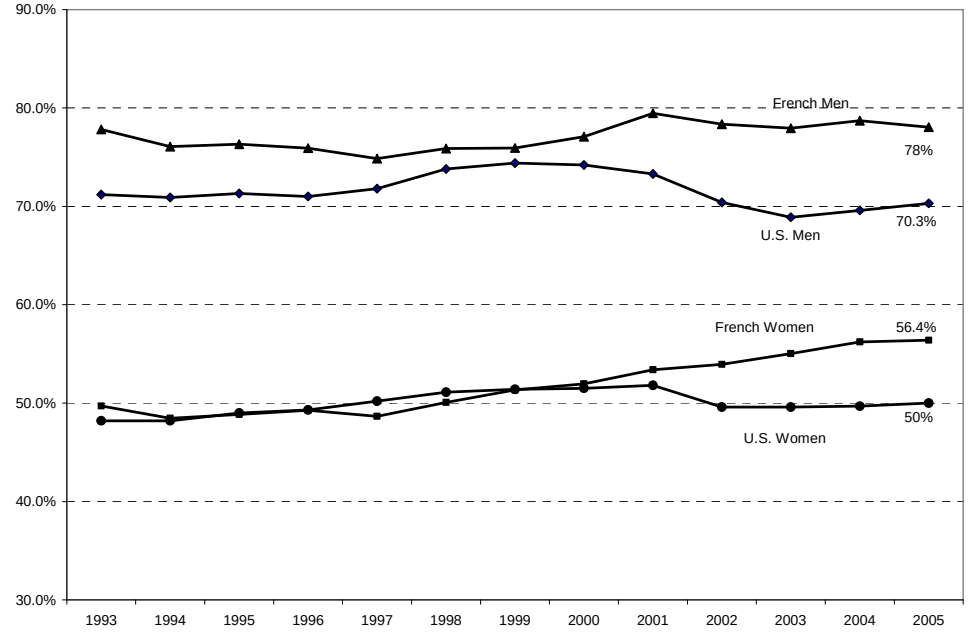
Panel B shows that adequate employment rates have consistently been higher for French men, and the gap has grown noticeably since the late 1990s, from a few percentage points in 1999 to about 8 points in 2005 (78% and 70.3%). The prime-age female AERs were nearly identical from 1993 to 2000 and have diverged steadily since, to over 6 percentage points in 2005 (56.4% and 50%). The higher prime-age AERs for France relative to the U.S. shown in Figure 6b, implies that the close similarity of these rates for the full population in Panel A reflects the fact that low enrollment rates for young French workers and older workers pulls down the French AER for the full 16-64 age group.

Figure 6: Adequate Employment Rates by Gender for France and the U.S., 1993-2005 (employed workers not paid low wages and not involuntarily part-time as a share of the population)

A. Age 16-64



B. Age 25-54



4.4 Results by Age, Gender and Educational Attainment

We have calculated these three indicators for male and female workers by education (less than high school, high school, some college, and college or more) and age (16-64, 25-54) for 1993-2005. The next three sub-sections (one for each of the indicators) highlight some of the key findings. The full set of results appears in the Appendix Tables. It should be noted that "employment" always refers to wage and salary workers (for reasons given above, the self-employed are not included).

4.4.1 *The Low Wage Share of Employment (LWS)*

Figure 7 shows large disparities between U.S. and French low-wage employment shares in 2005, particularly for those with less than a high school degree, shown on the left side of the figure. Starting from the left, Figure 7 shows that 10.7 percent of employed French men (16-64) with less than a high school degree were paid low wages in 2005, compared to about 58 percent of similar U.S. men. The incidence of low-wage employment for *prime-age male* workers with less than a high school degree was 7.1 percent for France and 47.6 percent for the U.S. in 2005.

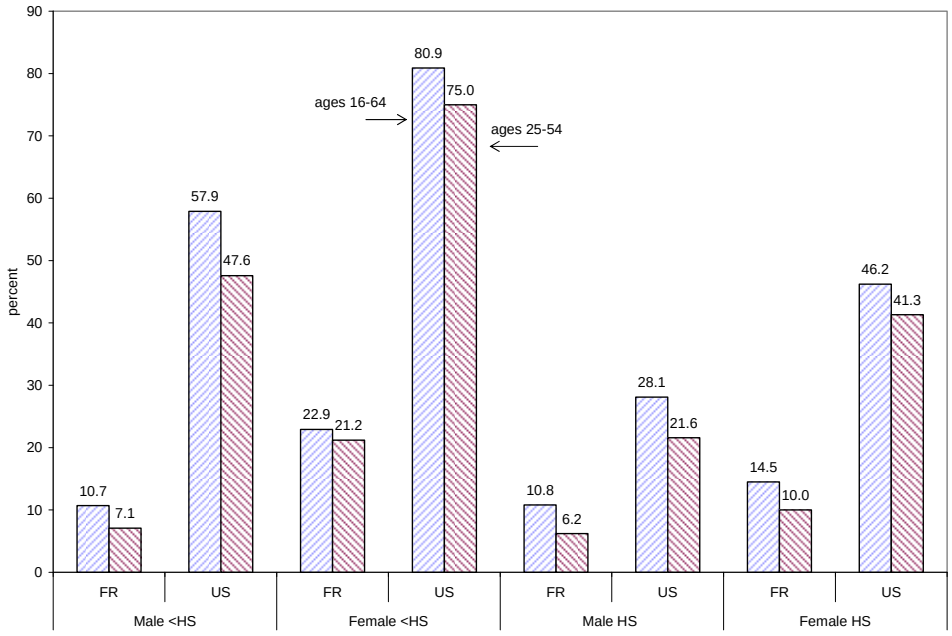
For less-educated female workers, the France-U.S. low-wage differential is even larger: 81 percent of U.S. women (16-64) with less than a high school degree were employed in low-wage jobs in 2005 compared to about 23 percent of French women. The France-U.S. low-wage gap for *prime-age women* was also huge: 21.2 percent for French women and 75 percent for U.S. women.

The right side of Figure 7 shows large French-U.S. low-wage share disparities for workers a high school degree. About 28 percent of U.S. employed men with a high school degree were paid low wages, compared to less than 11 percent for similar French men. For female workers the gap is even larger: over 46 percent for U.S. female high school level workers and less than 15 percent for similar French women.

Figure 7 also shows that having a high school degree has large effects on the incidence of low wages for all groups except French men. For the total 16-64 population, the low-wage rate drops from 57.9 percent for U.S. men without a degree to 28.1 percent with a degree, and from, from 80.9 to 46.2 percent for U.S. women. Having the equivalent

of a high school degree also makes a difference on average for French women: the LWS drops from 22.9 percent without to 14.5 percent with a degree. On the other hand, our results show that for French men, the rate is essentially identical for all workers (10.7 and 10.8 percent) and drops only modestly for prime-age workers (7.1 to 6.2%). The much higher French minimum wage and much greater collective bargaining coverage are the most likely reasons for the far lower incidence of low wages in France, and for the much more modest differences in the low wage rate for those without and with a high school degree in France, particularly for men.

Figure 7: The Low-Wage Share of Wage and Salary Employment for Less-Educated Male and Female Workers in France and the U.S., 2005*
(less than high school and only a high school degree, ages 16-64 and 25-54)



* the low wage threshold is 2/3 of the median full-time wage;
source: authors' calculations from national household surveys; see text.

Annual series of the low wage share of employment from 1993 to 2005 by gender, age and education show particularly striking differences between French and U.S. labor market outcomes (not shown).[12] In general, the French low wage shares have declined (improved), especially since 2002, whereas the U.S. low-wage rates have tended to remain stable or to increase (worsen). For example, the low wage share for all French men (16-64) with less than a high school degree fell from 14-16% in the 1990s to less than 11% in 2004-5, while the comparable U.S. figures fluctuated between 56 and 58%. The incidence of low-wage employment for *U.S.* men with some college education was more than twice the rate for French men with less than a high school degree (22.7% and 10.7%). The results for women were equally dramatic. Over the 1993-2005 period, French women with just a high school degree had low-wage rates (14-17%) that were about half that of U.S. women with some college (34-36%) and only slightly higher than U.S. women with at least a college degree (12-15%).

Unlike the case for the U.S., the low-wage rates are quite similar for French men and women, as well as for those with just some college and those with at least a college degree. For example, while low-wage rates for French prime-age men and women with some college in 2005 were 3.6 and 4.5 percent, comparable U.S. rates were 14 percent for men and 27.5 percent for women.

4.4.2 *The Underemployed share of the Labor Force (UER)*

Our underemployment rate results for France and the U.S. by gender and age group for 2005 are shown in Figure 8. The UER is measured as the number of workers who are unemployed, low paid, or working involuntarily part-time as a share of the labor force. Figure 8 shows that on this measure of employment performance, the French labor market is also consistently superior, reflecting the fact that higher French unemployment is offset by a much lower incidence of low-wage employment in France. The largest French advantage was for those with less than a high school education (reflecting the effects of the high French minimum wage) and the smallest for men with a high school degree (since their wages are higher and less impacted by the legal minimum).

[12] This table is available from the authors.

Starting from the left, French men with less than a high school degree have a UER just under 23 percent, compared to a U.S. rate of almost 64 percent. For prime-age men without a high school degree, the difference between French and U.S. less-educated men is similarly striking: about 18 percent for French men and 53 percent for U.S. men. The right side of the figure shows that the French advantage is also substantial for men with a high school degree: a 20.7% underemployment rate, compared to 33.8% for U.S. men. Among prime-age men, the French and U.S. UERs are 15% and 26%.

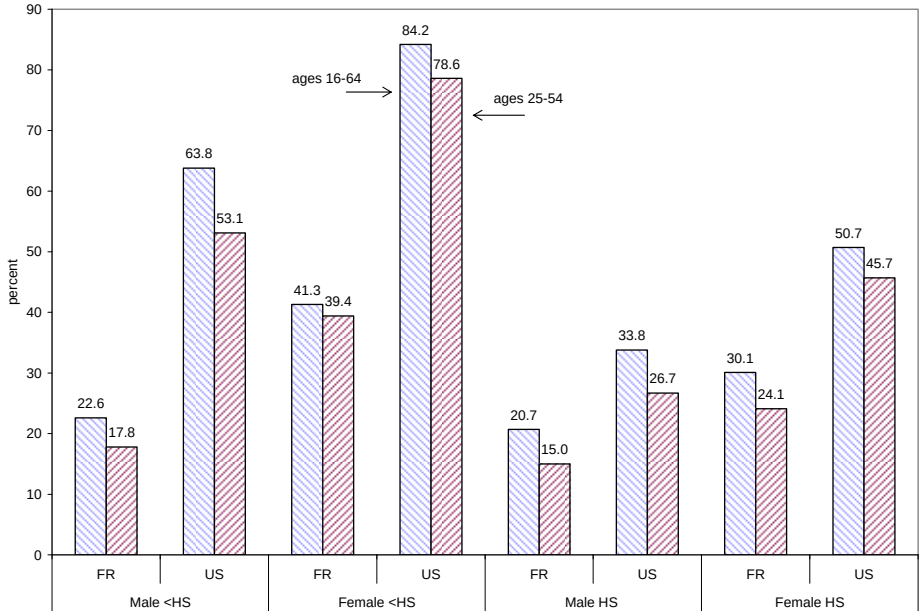
French-U.S. UER differentials are extremely large for women as well. The French female underemployment rate was 41 percent in 2005, far below the 84 percent rate for U.S. women and also substantially below the 64 percent rate for U.S. men. For prime-age women, the French underemployment rate is nearly half that of the U.S.: 24.1 compared to 45.7 percent. Interestingly, prime-age French women show only slightly lower underemployment rates than the full 16-64 age group (41.3 vs 39.4%).

Like the results for the low-wage share (figure 7), Figure 8 shows that a high school degree has little impact on the underemployment rate for French men (20.7% rather than 22.6%). For U.S. men the degree makes a much bigger difference for the UER: 34 percent with the degree versus 64 percent for those without it (dropping from about 64 to 34 percent (and 53 to 27% for prime-age U.S. men). French women with a high school degree had substantially higher underemployment rates in 2005 than their male counterparts (30.1% compared to 20.7%), but this was far below the U.S. female rate (50.7%) and even slightly below the U.S. male UER (33.8%).

Like the results for the low-wage share, changes in the France and U.S. UERs over the 1993-2005 by gender, education and age are striking (not shown, available upon request). For example, among prime-age men, the U.S. underemployment rate for those with some college ranged between 18.4 and 20.3 percent between 2002-5, slightly above the rates for French men with less than a high school degree (17.5-18.6%). While the UER for U.S. women with some college (16-64) fluctuated around 40 percent between 1993 and 2005, the UER for French women with less than a high school degree fell from 48-49 percent in 1994-7 to just over 41 percent in 2004-5. Among prime-age workers, only for those in the top educational group do French and U.S. workers (both men and women)

show roughly similar underemployment rates (10-11% for French and U.S. men; 15-16 % for French and U.S. women).

Figure 8: The Underemployment Rate* for Less-Educated Male and Female Workers in France and the U.S., 2005 (less than high school and just a high school degree, ages 16-64 and 25-54)



*Defined as the unemployed, low paid, and involuntary part-time workers as a share of the labor force.
Source: authors' calculations from national household surveys; see text.

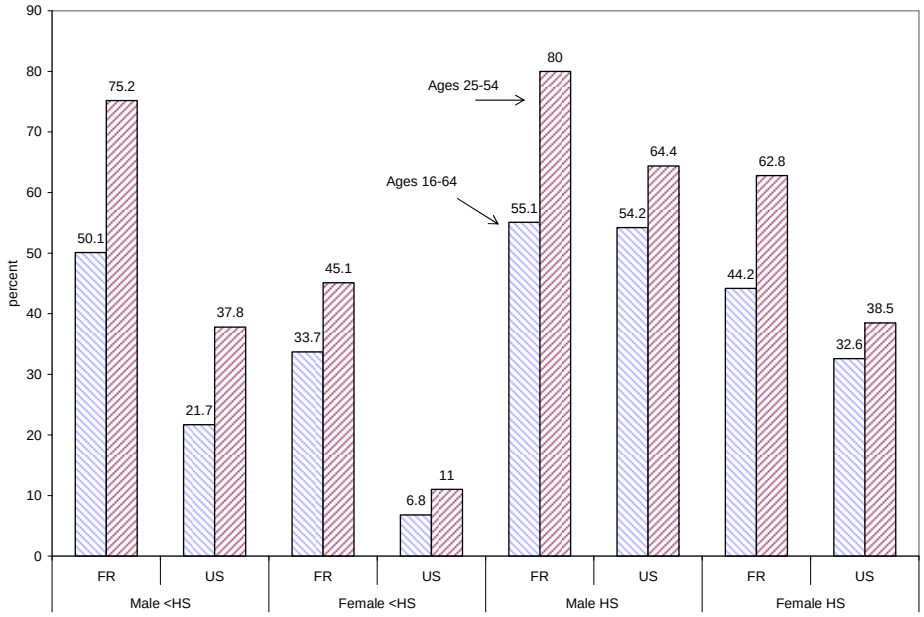
4.4.3 *The Adequately Employed Share of the Population (AER)*

As the share of the working age population employed with "adequate" jobs (not paid low wages and not working involuntarily part-time), a higher AER can be viewed as an indication of a better performing labor market. This is certainly a reasonable interpretation for prime-age workers but as noted above this is not necessarily so for youth and older workers. For this reason, we will focus on the results for prime-age workers.

Figure 9 shows that for the two least educated groups (less than a high school degree and just a high school degree), the share of the working age population with adequate jobs was far higher in France than the U.S. in 2005 for both men and women. The left side of the figure shows that over 75 percent of prime-age French men without a degree had adequate jobs in 2005, compared to less than 38 percent for similar U.S. men. For prime-

age women without a degree, the French advantage was greater by a factor of four: 45.1 percent with adequate employment compared to only 11 percent for U.S. women. The right side of the figure shows that the gaps were also substantial for those with just a high school degree: 80 to 64.4 percent for prime-age men and 62.8 to 38.5 percent for prime-age women.

Figure 9: The Adequate Employment Rate* for Less-Educated Male and Female Workers in France and the U.S., 2005 (less than high school and only a high school degree, ages 16-64 and 25-54)



* employed workers not paid low wages and not involuntarily part-time as a share of the working age population.
Source: authors' calculations from national household surveys; see text.

The AER differentials for the full 16-64 age group are similar, with one exception - French and U.S. male high school graduates had about the same adequate employment rate (55.1 and 54.2%) in 2005. This probably reflects a much lower (standard) employment rate for French male youth than U.S. youth with just a high school degree, which offsets the much higher incidence of low wage employment for U.S. men with just a high school

degree.[13] Detailed results by age, education and gender for 1993-2005 are available upon request.

5. Conclusion

This paper was motivated by the view that cross-country comparisons of labor market performance should take employment quality into account. The policy significance of not doing so can be substantial, since rolling-back or dismantling policies and institutions on the presumed grounds that these actions will reduce the aggregate unemployment rate may have substantial consequences the quality of employment for the, say, 90-95 percent of the labor force that is not unemployed. Recent research has established how successful France has been at limiting the incidence of very low pay, even compared to other European countries. For example, while Germany and the Netherlands had low pay rates of 20.8 and 17 percent in 2002, France's rate was just 12.7 percent (Caroli and Gautie, 2008, Table 2.7).

We compare French and U.S. labor market performance between 1993 and 2005 with three labor market indicators designed to provide a more comprehensive perspective on national performance by taking into account not only the adequacy of the quantity of job opportunities (as measured by conventional unemployment and employment rates), but also opportunities for jobs with adequate pay and hours of work. We use three adequate employment indicators: the low wages share of employment (LWS), the under-employed share of the labor force (UER), and the adequately employed share of the working age population (AER). In sharp contrast to the picture we get from the conventional quantity measures, which show much poorer performance by France (higher unemployment rates and lower employment rates), the adequate employment indicators show the U.S with far worse labor market performance.

These results underscore the importance of not conflating labor market performance with a country's relative standing on the conventional unemployment rate. This is not

[13] This is the likely explanation, since standard employment rates for U.S. and French men ages 25-64 with upper secondary education are fairly similar (the French rate is actually higher, 81.4% compared to 78.6% [OECD 2006, Appendix Table D) and we know that the low wage share of employment for both less than high school and high school degree men ages 25-54 are far higher for the U.S. than France (Appendix Table A-2). So the offsetting factor appears to be that the large employment rate gap for young workers (29.3% for French and 55.2% for U.S. young men in 2005) (OECD 2006, appendix Table C).

simply an academic issue of “getting it right.” Policy makers across the OECD countries have been urged to reform national institutions and policies on the grounds that less regulation, less benefit generosity, and more decentralized bargaining will improve employment performance and overall worker well-being, because these reforms will reduce the national unemployment rate. Whether this is correct is a matter of debate, but what does not seem debatable is that national policies and institutions should be designed to achieve the best possible *overall* employment performance, which requires that a high priority be placed on adequate pay and hours of work. To help keep adequate pay and hours at the top of the policy agenda, it would be a simple matter for statistical agencies to regularly publish, along with the conventional unemployment and employment rates, employment adequacy indicators such as the ones used in this paper.

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